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S E C R E T SECTION 01 OF 03 KUALA LUMPUR 000340

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FOR EAP DAS MARCIEL FROM AMBASSADOR KEITH

E.O. 12958: DECL: 05/02/2018  
TAGS: [PGOV](#) [PREL](#) [PINR](#) [ECON](#) [KDEM](#) [MY](#)  
SUBJECT: MALAYSIA'S FLUID SCENE - DAS MARCIEL'S MAY 5-7  
VISIT

Classified By: Ambassador James R. Keith, reason 1.4 (b and d).

¶1. (U) Thank you for coming to Kuala Lumpur. Your May 5-7 visit to Malaysia provides an excellent opportunity to assess Malaysia's fluid political scene, identify new openings to pursue U.S. objectives, and support key areas in our regional and bilateral diplomacy.

¶2. (C) Not quite two months after Malaysia's March 8 election shock, the political scene remains fluid and UMNO's leadership question unresolved. PM Abdullah Badawi so far has persevered in the face of calls to immediately step down from within his UMNO party. At the most recent peak of this pressure Abdullah announced he eventually would resign in favor of Deputy Prime Minister Najib Tun Razak, but only after reelection as party president in December 2008 and a further two-year grace period. Despite urgings from other UMNO leaders, Najib has not pressured Abdullah, perhaps believing he can wait to inherit the UMNO presidency, or because of vulnerability related to allegations of corruption and links to the Altantuya murder trial. UMNO branch elections later in May represent the next forum for the leadership struggle. An active push by Najib or heightened concern over losing power due to sharp opposition challenges could result in UMNO elites pushing Abdullah out prior to the December 2008 party assembly.

¶3. (C) My April 25 meeting with Abdullah left me with the impression that he was at peace with himself. He may feel he has little to lose and therefore he might as well try to solidify his legacy and do what he seemed genuinely intent on accomplishing when he first came to power. He seemingly courted public support outside UMNO by announcing planned policy reforms he originally promised in 2004. These include a judicial appointments commission and a strengthened Anti-Corruption Agency, measures more popular with the opposition, which is also calling for a repeal of the Internal Security Act (ISA). Abdullah also has scaled back plans to reduce fuel subsidies recognizing his weakened administration could not carry such unpopular actions. With UMNO divided and a more prominent (and potentially powerful) opposition, Malaysia is experiencing greater press freedom, though as the Home Ministry's politically motivated closure of a Tamil newspaper demonstrated, no permanent legal reforms underpin the current democratic openings. The state retains authoritarian levers from the Mahathir era.

¶4. (S) The opposition Peoples' Alliance, led by Anwar Ibrahim, is testing itself in four newly-claimed state governments, including Malaysia's richest state Selangor (surrounding Kuala Lumpur). In their first weeks in power, opposition state executives have tried to set themselves apart from UMNO and its National Front (BN) by addressing

ethnic minority grievances, promoting clean governance, and announcing populist economic decisions. Abdullah's central government is fighting back by redirecting federal revenue support outside of state government channels and in some cases setting up parallel local authorities. In Parliament opposition MPs have marching orders to aggressively challenge the government side at every turn, and Parliament's first session on April 30 immediately descended into a cacophony of insults. Anwar continues to publicly prod BN with claims that he has 30 BN MPs ready to cross over, which would bring down the BN government. UMNO elites, who have never lost power, would be sorely tempted to preempt such a move by imposing emergency measures, and rumors of the government's intention to use ISA provisions of imprisonment without trial have circulated within the opposition.

15. (C) Beneath the turbulent power politics, we continue to benefit from close counter-terrorism cooperation (though Guantanamo access is an increasingly sore point); the bilateral military interaction remains strong; and we along with Embassies Jakarta and Manila are implementing the Regional Security Initiative (RSI) concept through a maritime policymakers' conference in Sabah. Our careful, persistent diplomacy on trafficking in persons has somewhat overcome the setback from the 2007 Tier 3 decision, and the GOM is implementing its new law. We continue to pursue an FTA; USTR's Barbara Weisel will be in KL May 4-5 for meetings with MITI and other counterparts in an effort to clarify the GOM's negotiating intentions. If the GOM signals are positive, there could be a follow-up visit by USTR's Doug Bell and a negotiating round in July. Malaysia believes it has limited direct exposure to the U.S. sub-prime market in part because of lessons learned from the 1997-8 Asian financial crisis, though it does expect the economic slowdown in the U.S. will

KUALA LUMP 00000340 002 OF 003

dampen growth in Malaysia this year. Malaysia is now the 16th largest trading partner for the United States after two-way bilateral trade dropped 12 percent in 2007 to \$46 billion in 2007.

16. (C) Malaysia continues to place great stock in ASEAN, including as a forum to safely engage China, but under Abdullah has become less of an ASEAN driver. Beyond public remarks last year, the GOM has shown no willingness to join us in measures to pressure the Burmese junta. Malaysia's decision to withdraw its soldiers from the International Monitoring Team in Mindanao as a means to pressure Manila in the MILF negotiations could result in an end to Malaysia's facilitation role. Malaysia wants to continue peace-keeping deployments and has indicated it could consider a role in Afghanistan if asked by the Afghans or UN. Malaysia handed over the OIC chair in March, but will continue to place emphasis on OIC activities. Malaysia's participation at the Annapolis peace conference was a highlight of recent diplomatic cooperation. The Foreign Ministry's support for Iran's attempted participation in the recent arms exhibition highlights the challenges we face on the Iran issue. Since the 2003-2004 SCOMI incident, we have continued to urge Malaysia to pass an export control law.

17. (SBU) We recommend the following themes for your official meetings in Malaysia.

-- ASEAN: The U.S. seeks ways to strengthen relations with ASEAN, including through the U.S.-ASEAN Enhanced Partnership; my appointment as Ambassador for ASEAN Affairs also represents the U.S. commitment to bolster ties.

-- Burma: We urge Malaysia take a more active role in persuading Burma to take positive steps. That will help prevent Burma from becoming an obstacle to our desire to advance U.S.-ASEAN relations.

-- Iran: Malaysia's upholding of UNSCRs supports efforts to find a diplomatic solution to Iran's nuclear program; this

issue attracts interest at the highest levels in Washington.

-- Kosovo: We welcomed Malaysia's statement on Kosovo's independence, and urge Malaysia to move to formal recognition.

-- Nonproliferation: The international community expects modern economies and trading hubs to take serious steps on nonproliferation; an export control regime is needed by any country hoping to attract investments in sensitive technology and take full part in the international financial network. We see your establishment of a robust export control regime as critical to your strategic interests and ours.

-- Rule of law: We are impressed by the recently announced judicial reforms; these also send a good signal to Malaysia's investment partners.

-- Trafficking in persons: Passage of law and initial implementation have attracted positive attention to Malaysia's anti-TIP commitment; look forward to learning more about enforcement efforts and victim protection. We respect and want to hear your opinions.

-- Refugees: We appreciate the GOM's cooperation in the large U.S. resettlement effort; we are working with your officials to speed the process; handling of refugees attracts intense world attention.

-- Parliament: We encourage greater exchanges between our legislative branches; more Congress-Parliament contacts would increase understanding and enrich our relations.

18. (U) We suggest the following broad themes for your press conference:

-- Mutual respect: My meetings in Malaysia focused on the shared interests between the U.S. and Malaysia, our mutual respect as sovereign nations, and the value we place on Malaysia's views of the region and the world. I appreciated the opportunity to learn more about Malaysia's priorities.

-- Partnership: Malaysia just emerged from an election and has a new cabinet, and in eight months the U.S. will have a new president. I am confident mutually productive cooperation will continue because our relationship is based on enduring national interests in both countries. We remain committed to negotiating a mutually beneficial FTA; we look forward to

KUALA LUMP 00000340 003 OF 003

participating in the Third International Conference on the Muslim World and the West, hosted by Malaysia in June; and we both remained engaged in countering international crime, including terrorism.

-- ASEAN: I had good exchanges with the Ministry of Foreign Affairs and others on key ASEAN issues. The U.S. seeks ways to strengthen relations with ASEAN, including through the U.S.-ASEAN Enhanced Partnership and my appointment as Ambassador, and I value Malaysia's leadership and views on ASEAN affairs. Burma is a genuine challenge for us and for ASEAN; we need to identify ways to achieve positive change for the sake of the Burmese people.

KEITH